



**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Governmental-Wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund	20
Statement of Fund Net Assets – Internal Service Fund.....	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Fund	22
Statement of Cash Flows – Internal Service Fund	23
Statement of Fiduciary Net Assets – Fiduciary Funds.....	24
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund	25
Notes to the Basic Financial Statements	26
Schedule of Receipts and Expenditures of Federal Awards.....	51
Notes to the Schedule of Receipts and Expenditures of Federal Awards	52
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	53
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	55
Schedule of Findings.....	57

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Barberton City School District
Summit County
479 Norton Avenue
Barberton, Ohio 44203

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Barberton City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Barberton City School District, Summit County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Receipts and Expenditures of Federal Awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 23, 2004

Barberton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

This discussion and analysis of the Barberton City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

Due to the nature of school property taxes in Ohio, school districts generally pass operating levies and have excess revenues in the early years followed by years where expenditures exceed revenues. Then the school district seeks a new property tax levy through a vote of the citizens. Barberton City School District last passed an operating levy in 1993. Since 2001 expenses have exceeded revenues requiring the School District to seek an operating levy in 2005.

Net assets of governmental activities decreased by \$126,073.

General revenues accounted for \$33,557,293 in revenue or 71.0% of total revenues. Charges for services were 4.7% of revenues. The remaining 24.3% was from grants, contributions and interest.

Outstanding debt decreased \$1,725,604 from \$31,632,566 in fiscal year 2003 to \$29,906,961 at the end of fiscal year 2004.

The School District had \$47,355,352 in expenses related to governmental activities; only \$13,671,986 of these expenses was offset by program specific charges for services, operating and capital grants, contributions and interest. General revenues of \$33,557,293 contributed to support these programs.

Instructional expenses account for 54.8% of expenses and extracurricular activities accounted for another 3.5% of total governmental expenses.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Barberton City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Barberton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. The School District's major governmental funds are the general fund, the debt service fund and the permanent improvement capital projects fund.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions to answer the question of how well the School District did in the past year. The statement of net assets and the statement of activity are designed to provide these answers. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District's activities are considered to be all Governmental Activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds for fiscal year 2004 are the general fund, the debt service fund and the permanent improvement capital projects fund.

Barberton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004
 Unaudited

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements.

The School District as a Whole

The statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Assets		
<i>Current and other assets</i>	\$ 21,040,768	\$ 22,058,550
<i>Capital assets, net of depreciation</i>	<u>48,618,008</u>	<u>48,033,523</u>
<i>Total assets</i>	<u>69,658,776</u>	<u>70,092,073</u>
Liabilities		
<i>Long-term liabilities</i>	31,661,096	33,484,944
<i>Other liabilities</i>	<u>18,367,074</u>	<u>16,850,450</u>
<i>Total liabilities</i>	<u>50,028,170</u>	<u>50,335,394</u>
Net Assets		
<i>Invested in capital assets, net of debt</i>	18,711,046	16,400,957
<i>Restricted</i>	4,147,841	5,926,100
<i>Unrestricted</i>	<u>(3,228,281)</u>	<u>(2,570,378)</u>
<i>Total net assets</i>	<u>\$ 19,630,606</u>	<u>\$ 19,756,679</u>

Net assets changed by (\$126,073) from fiscal year 2003 to fiscal year 2004.

The significant decrease was caused by decreases of cash (\$922,843) and intergovernmental receivables (\$683,592) and increases in claims payable of \$505,217. Prior year cash balance was required to be expended in the current year due to insufficient revenues to cover the current year's operation. Decreasing intergovernmental revenue and rising healthcare costs contributed to the decrease in net assets.

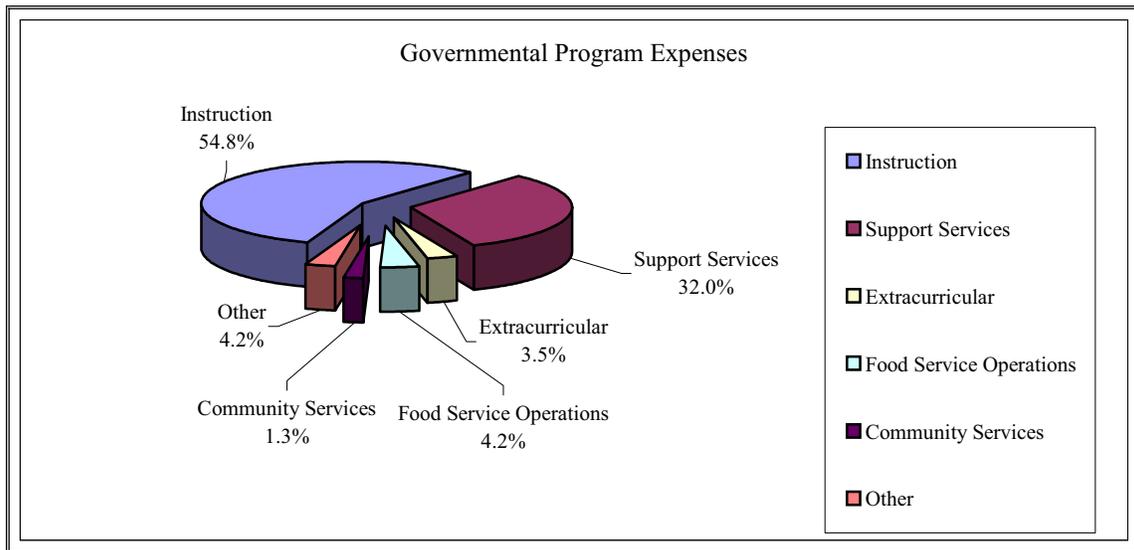
Barberton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows the changes in net assets for fiscal year 2004 as compared to fiscal year 2003.

Table 2
Changes in Net Assets

	<i>Governmental Activities</i>	
	<u>2004</u>	<u>2003</u>
Revenues		
<i>Program revenues</i>		
Charges for services	\$ 2,212,725	\$ 1,682,215
Operating grants, contributions and interest	11,446,896	9,482,988
Capital grants and contributions	12,365	30,820
<i>General revenues</i>		
Property taxes	13,040,198	12,430,404
Grants and entitlements	19,216,963	19,547,133
Investment earnings	66,701	113,276
Miscellaneous	1,233,431	237,562
Total revenues	<u>47,229,279</u>	<u>43,524,398</u>
Program Expenses		
<i>Instruction</i>		
Regular	16,371,431	16,088,004
Special	6,859,053	6,362,650
Vocational	1,144,522	1,280,947
Adult/continuing	89,714	208,486
Other	1,506,087	1,260,395
<i>Special services</i>		
Pupil	2,377,039	2,001,451
Instructional staff	3,506,584	3,192,957
Board of education	21,494	25,407
Administration	2,822,028	2,796,169
Fiscal	675,238	484,691
Business	434,051	402,392
Operation and maintenance of plant	4,429,365	4,342,010
Pupil transportation	888,867	880,106
Central	7,438	64,528
<i>Operation non-instructional services</i>		
Food service operations	1,974,296	1,938,697
Community services	646,293	745,084
Extracurricular activities	1,635,519	1,413,066
Interest and fiscal charges	1,468,596	1,541,084
Intergovernmental	497,737	-
Total expenses	<u>47,355,352</u>	<u>45,028,124</u>
Decrease in Net Assets	<u>\$ (126,073)</u>	<u>\$ (1,503,726)</u>

Barberton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited



Barberton City School District depends both on property taxes and State funding.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$13.0 million in 2004. General revenues from grants and entitlements, such as the school foundation program, generated over \$19.2 million. Combined these represent over 68.3% of all revenues the School District received.

The above Chart shows the percentage breakdown of the broad areas in Table 2.

- Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. The total cost of instructional services was \$25,970,807 or 54.8% of governmental program expenses.
- Support Services include: Pupil services and instructional staff. These include the activities involved in assisting staff and the content and process of teaching to pupils; board of education; administration; expenses associated with establishing and administering school operation policies, financial operations; and activities concerned with purchasing, receiving and maintaining goods and services for the School District; operation and maintenance of plant; and pupil transportation. The total cost of support services was \$15,162,104 or 32.0% of governmental program expenses.
- Community Services include services to adults and children that benefit the community as a whole.
- Food Service Operations include the breakfast and lunch programs.
- Extracurricular Services directly benefit the students and supplement their educational experience.
- Other includes interest and fiscal charges and intergovernmental.

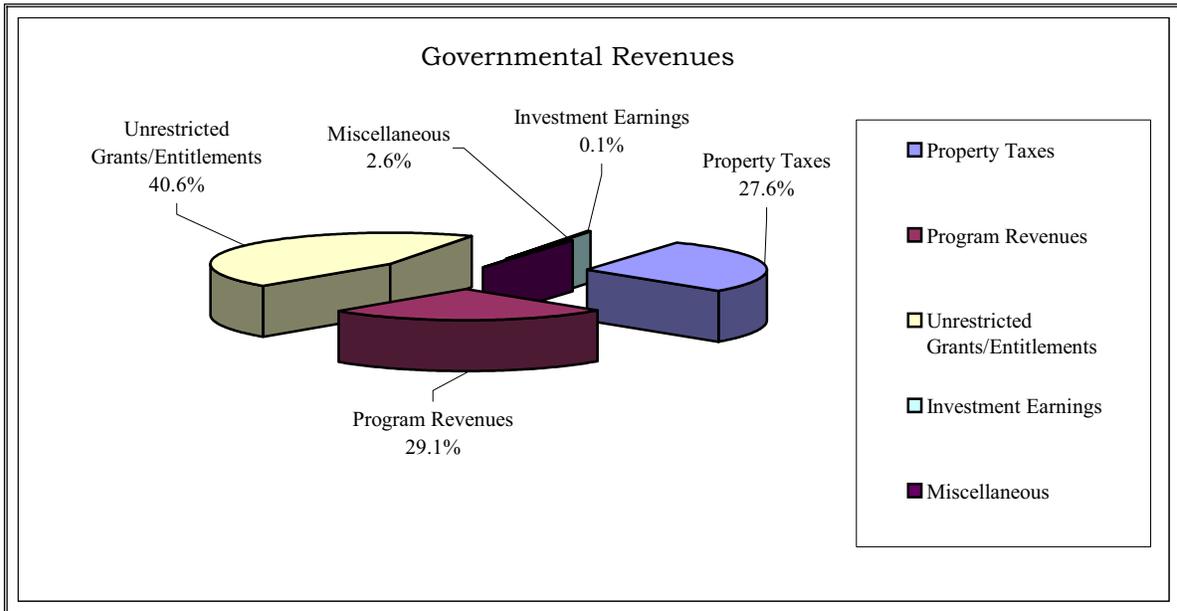
Barberton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	<u>Total Cost of Services 2004</u>	<u>Total Cost of Services 2003</u>	<u>Net Cost of Services 2004</u>	<u>Net Cost of Services 2003</u>
Program Expenses				
<i>Instruction</i>				
Regular	\$ 16,371,431	\$ 16,088,004	\$ (13,676,072)	\$ (14,102,180)
Special	6,859,053	6,362,650	(3,328,615)	(2,800,655)
Vocational	1,144,522	1,280,947	(1,128,527)	(1,273,960)
Adult/continuing	89,714	208,486	(16,573)	(46,693)
Other	1,506,087	1,260,395	(1,506,087)	(1,260,395)
<i>Special services</i>				
Pupil	2,377,039	2,001,451	(2,181,713)	(1,730,757)
Instructional staff	3,506,584	3,192,957	(2,182,590)	(2,376,019)
Board of education	21,494	25,407	(21,494)	(25,407)
Administration	2,822,028	2,796,169	(2,817,645)	(2,584,688)
Fiscal	675,238	484,691	(674,913)	(484,691)
Business	434,051	402,392	(434,051)	(402,392)
Operation and maintenance of plant	4,429,365	4,342,010	(3,689,905)	(4,134,887)
Pupil transportation	888,867	880,106	(876,502)	(779,203)
Central	7,438	64,528	(2,855)	(49,089)
<i>Operation non-instructional services</i>				
Food service operations	1,974,296	1,938,697	(31,681)	(481,180)
Community services	646,293	745,084	714,587	(194,604)
Extracurricular activities	1,635,519	1,413,066	(1,197,255)	(928,769)
Interest and fiscal charges	1,468,596	1,541,084	(133,738)	(176,532)
Intergovernmental	497,737	-	(497,737)	-
Total	<u>\$ 47,355,352</u>	<u>\$ 45,028,124</u>	<u>\$ (33,683,366)</u>	<u>\$ (33,832,101)</u>

Barberton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004
 Unaudited



The 40.6% provided by the unrestricted grants and entitlements portion of general revenues include monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920.

The second largest revenue source is property taxes. These provide 27.6% of revenues.

Program Revenues include charges for services, grants, and contributions that are program specific. These include: grants from the Barberton Community Foundation; grants for specific purposes; contracts for services; reimbursements for services by third-parties; open enrollment tuition; food service receipts; and receipts for extracurricular activities. Due to nature of the School District, these receipts are a significant part of our operations.

The School District's Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$46,936,740 and total expenditures were \$49,889,885. The net change in fund balance was significant in the general fund with a decrease of \$1,320,563. The general fund has an unreserved fund balance of (\$3,185,262). Last year this was (\$2,018,809). This decrease is attributed to continuing insufficient revenues to cover operational expenses. This demonstrates the need for additional operating revenues that can only be obtained through a property tax levy. Other reductions in expenditures will be made in fiscal year 2005 and into fiscal year 2006.

Another significant decrease in fund balance is shown in the permanent improvement fund, the major fund charged for all of the School District major capital asset purchases and renovation projects. This funds balance decreased due to \$2.2 million in capital outlay expenditures resulting from ongoing construction projects. Proceeds of a new levy were used to finance this activity.

Barberton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004
 Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2004, the School District amended its general fund budget several times, however none were significant.

For the general fund, the final budget basis revenue and other financing sources estimate was \$32,491,505, representing an increase from the original budget estimate of \$30,991,522. The difference of \$1,499,983 is attributed to conservative tax estimates, decrease in open enrollment students and investment income.

The original expenditures and other financing uses estimate of \$31,644,771 were revised over the fiscal year by (\$338,239) to a final budget of \$31,306,532 and a difference of \$138,692 from the actual expenditures plus other financing uses of \$31,445,224.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$48,618,008 invested in land, buildings, equipment and vehicles. Table 4 shows fiscal year 2004 balances compared to fiscal year 2003:

Table 4
Capital Assets at Fiscal Year End
(Net of Depreciation)

	<i>Governmental Activities</i>	
	<i>2004</i>	<i>2003</i>
<i>Land</i>	\$ 3,739,550	\$ 3,739,550
<i>Land improvements</i>	5,851,199	6,218,717
<i>Buildings</i>	36,150,134	37,196,485
<i>Furniture and equipments</i>	335,568	489,047
<i>Vehicles</i>	193,753	242,824
<i>Construction in progress</i>	2,347,804	146,900
<i>Total capital assets</i>	<u>\$ 48,618,008</u>	<u>\$ 48,033,523</u>

Construction of four new classroom additions started in 2003 continued in 2004 at Woodford and Johnson Schools. Renovation of U.L.Light Middle School exterior began during the year. These are being funded through a Permanent Improvement levy.

See Note 7 to the basic financial statements for further details on governmental activities capital assets.

Barberton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004
 Unaudited

Debt

At June 30, 2004 the School District had \$29,906,962 in outstanding debt. Table 5 summarizes the bonds and notes outstanding:

*Table 5
 Outstanding Debt, at Fiscal Year End*

	<i>Governmental Activities</i>	
	<u>2004</u>	<u>2003</u>
<i>1998 School Improvement Bonds</i>	\$ 26,739,962	\$ 27,719,962
<i>1984 Library Improvement Bonds</i>	220,000	330,000
<i>2001 Capital Improvement Notes</i>	2,180,000	2,850,000
<i>1999 Vocational Equipment Loan</i>	-	20,000
<i>2000 Vocational Equipment Loan</i>	45,000	90,000
<i>2002 Improvement and Building Loan</i>	<u>722,000</u>	<u>622,604</u>
<i>Total outstanding debt</i>	<u>\$ 29,906,962</u>	<u>\$ 31,632,566</u>

The School Improvement Bonds were used to build a new High School that opened in 2000. These bonds are being paid by a donation from the Barberton Community Foundation, secured by a voted bond issue. The Capital Improvement Notes are paid through a Permanent Improvement levy and funds are being used to renovate buildings and build two, four-classroom additions. The Improvement and Building Loan is through an Asset Pool program and was used to pay-off existing leases as well as purchase additional assets.

At June 30, 2004, the School District's overall legal debt limit was \$35,595,233 with an unvoted debt limit of \$175,403. The School District is rated Baa2 by Moody's Investors Service.

See Note 13 to the basic financial statements for further details on the governmental debt activities.

Current Issues Affecting Financial Condition

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and financial operations.

The legislature passed a new budget bill for fiscal year 2004 and fiscal year 2005, which was signed by the Governor. This legislation, H.B. 95, reduced previously legislated increases in Basic Aid and Parity Aid. It also includes phasing-out Tangible Personal Property Taxes and the "\$10,000 exemption" payments to local governments, including schools.

The local economy continues to struggle and it continues to have a negative effect on local revenues. Interest rates continue to be very low resulting in reduced revenues through investing.

Barberton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions or need additional financial information, contact Mark Paprocki, Treasurer/Chief Fiscal Officer of the Barberton City School District, 479 Norton Avenue, Barberton, Ohio 44203 by phone (330) 753-1025 or e-mail mpaprocki@barberton.summit.k12.oh.us.

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Barberton City School District
Statement of Net Assets
June 30, 2004

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 6,591,137
Receivables:	
Taxes	13,794,121
Accounts	136,678
Intergovernmental	464,701
Inventory held for resale	45,386
Materials and supplies inventory	8,745
Capital assets:	
Land and construction in progress	6,087,354
Depreciable capital assets, net	42,530,654
Total capital assets	<u>48,618,008</u>
Total assets	<u>69,658,776</u>
<u>Liabilities:</u>	
Accounts payable	822,471
Accrued wages	2,653,751
Intergovernmental payable	1,547,261
Deferred revenue	11,938,084
Accrued interest payable	227,559
Matured compensated absences payable	372,827
Claims payable	805,121
Long-term liabilities:	
Due within one year	2,395,938
Due in more than one year	29,265,158
Total liabilities	<u>50,028,170</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	18,931,046
Restricted for:	
Capital outlay	2,226,972
Debt service	1,319,503
Other purposes	381,366
Unrestricted	<u>(3,228,281)</u>
Total net assets	<u>\$ 19,630,606</u>

See accompanying notes to the basic financial statements.

Barberton City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenues and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 16,371,431	\$ 100,490	\$ 2,594,869	\$ -	\$ (13,676,072)
Special	6,859,053	449,667	3,080,771	-	(3,328,615)
Vocational	1,144,522	11,791	4,204	-	(1,128,527)
Adult/continuing	89,714	28,712	44,429	-	(16,573)
Other	1,506,087	-	-	-	(1,506,087)
Support services:					
Pupils	2,377,039	7,910	187,416	-	(2,181,713)
Instructional staff	3,506,584	17,116	1,306,878	-	(2,182,590)
Board of education	21,494	-	-	-	(21,494)
Administration	2,822,028	-	4,383	-	(2,817,645)
Fiscal	675,238	325	-	-	(674,913)
Business	434,051	-	-	-	(434,051)
Operation and maintenance of plant	4,429,365	26,796	712,664	-	(3,689,905)
Pupil transportation	888,867	-	-	12,365	(876,502)
Central	7,438	3,888	695	-	(2,855)
Operation of non-instructional services:					
Food service operations	1,974,296	873,655	1,068,960	-	(31,681)
Community services	646,293	311,199	1,049,681	-	714,587
Extracurricular activities	1,635,519	381,176	57,088	-	(1,197,255)
Interest and fiscal charges	1,468,596	-	1,334,858	-	(133,738)
Intergovernmental	497,737	-	-	-	(497,737)
Total governmental activities	<u>\$ 47,355,352</u>	<u>\$ 2,212,725</u>	<u>\$ 11,446,896</u>	<u>\$ 12,365</u>	<u>(33,683,366)</u>

General Revenues:

Property taxes levied for:

General purposes	11,500,258
Debt service	852,909
Capital outlay	687,031
Grants and entitlements not restricted to specific programs	19,216,963
Investment earnings	66,701
Miscellaneous	1,233,431
Total general revenues	<u>33,557,293</u>

Change in net assets (126,073)

Net assets beginning of year 19,756,679

Net assets end of year \$ 19,630,606

See accompanying notes to the basic financial statements.

Barberton City School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 11,671	\$ 1,754,120	\$ 2,086,258	\$ 1,562,972	\$ 5,415,021
<u>Receivables:</u>					
Taxes	12,166,512	843,093	784,516	-	13,794,121
Accounts	134,807	-	-	371	135,178
Intergovernmental	128,713	-	-	335,988	464,701
Interfund receivable	30,000	-	125,000	31,000	186,000
Due from other funds	-	-	-	6,393	6,393
Inventory held for resale	-	-	-	45,386	45,386
Materials and supplies inventory	-	-	-	8,745	8,745
Equity in pooled cash and cash equivalents (restricted)	349,729	-	-	-	349,729
Total assets and other debits	<u>\$ 12,821,432</u>	<u>\$ 2,597,213</u>	<u>\$ 2,995,774</u>	<u>\$ 1,990,855</u>	<u>\$ 20,405,274</u>
<u>Liabilities:</u>					
Accounts payable	\$ 425,258	\$ -	\$ 177,616	\$ 219,597	\$ 822,471
Accrued wages	2,219,159	-	-	434,592	2,653,751
Matured compensated absences payable	364,647	-	-	8,180	372,827
Interfund payable	-	-	-	186,000	186,000
Due to other funds	-	-	-	6,393	6,393
Intergovernmental payable	974,626	-	-	253,604	1,228,230
Deferred revenue	11,673,275	837,280	703,926	62,792	13,277,273
Total liabilities	<u>15,656,965</u>	<u>837,280</u>	<u>881,542</u>	<u>1,171,158</u>	<u>18,546,945</u>
<u>Fund balances:</u>					
Reserved for encumbrances	-	-	1,321,560	187,584	1,509,144
Reserved for bus purchases	73,748	-	-	-	73,748
Reserved for textbooks/instructional material	275,981	-	-	-	275,981
Unreserved, undesignated, Reported in:					
General fund	(3,185,262)	-	-	-	(3,185,262)
Special revenue funds	-	-	-	627,113	627,113
Debt service funds	-	1,759,933	-	-	1,759,933
Capital projects funds	-	-	792,672	5,000	797,672
Total fund balances	<u>(2,835,533)</u>	<u>1,759,933</u>	<u>2,114,232</u>	<u>819,697</u>	<u>1,858,329</u>
Total liabilities and fund balances	<u>\$ 12,821,432</u>	<u>\$ 2,597,213</u>	<u>\$ 2,995,774</u>	<u>\$ 1,990,855</u>	<u>\$ 20,405,274</u>

See accompanying notes to the basic financial statements.

Barberton City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2004

Total governmental funds balances		\$ 1,858,329
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		48,618,008
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 1,168,319	
Intergovernmental	62,792	
Accounts	108,078	
Total	<u>1,339,189</u>	1,339,189
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		22,766
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and are therefore not reported in the funds.		(319,031)
Long-term liabilities, including debt payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation debt	\$ (29,906,962)	
Compensated absences	(1,754,134)	
Accrued interest payable	(227,559)	
Total	<u>(31,888,655)</u>	<u>(31,888,655)</u>
Net assets of governmental activities		<u>\$ 19,630,606</u>

See accompanying notes to the basic financial statements.

Barberton City School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property and other local taxes	\$ 10,892,211	\$ 847,454	\$ 629,797	\$ -	\$ 12,369,462
Intergovernmental	19,005,318	10,529	165,716	10,478,057	29,659,620
Interest	45,921	20,780	-	4,471	71,172
Tuition and fees	112,410	-	-	101,984	214,394
Extracurricular activities	1,858	-	-	384,364	386,222
Gifts and donations	6	2,312,791	-	66,056	2,378,853
Customer services	133	-	-	1,078,156	1,078,289
Rent	24,236	-	-	194	24,430
Miscellaneous	330,788	-	-	423,510	754,298
Total revenues	30,412,881	3,191,554	795,513	12,536,792	46,936,740
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	13,081,418	-	12,617	1,736,338	14,830,373
Special	2,848,390	-	-	3,883,757	6,732,147
Vocational	1,148,534	-	-	4,980	1,153,514
Adult/continuing	-	-	-	95,662	95,662
Other	1,506,087	-	-	-	1,506,087
Support services:					
Pupils	1,913,577	-	-	455,326	2,368,903
Instructional staff	1,542,646	-	-	1,906,375	3,449,021
Board of education	21,606	-	-	-	21,606
Administration	2,604,383	293	5,440	209,219	2,819,335
Fiscal	666,175	1,178	20,615	-	687,968
Business	432,988	-	697	-	433,685
Operation and maintenance of plant	4,086,604	-	83,107	323,082	4,492,793
Pupil transportation	599,974	-	-	193,870	793,844
Central	984	-	-	6,454	7,438
Operation of non-instructional services:					
Food service operations	-	-	-	1,920,750	1,920,750
Community services	-	-	-	642,113	642,113
Extracurricular activities	964,890	-	-	374,606	1,339,496
Capital outlay	196,781	-	2,200,904	226,244	2,623,929
Debt service:					
Principal retirement	235,000	1,760,000	-	-	1,995,000
Interest and fiscal charges	15,296	1,455,427	-	7,761	1,478,484
Intergovernmental	-	-	-	497,737	497,737
Total expenditures	31,865,333	3,216,898	2,323,380	12,484,274	49,889,885
Excess of revenues over (under) expenditures	(1,452,452)	(25,344)	(1,527,867)	52,518	(2,953,145)
<u>Other financing sources (uses):</u>					
Proceeds of loan	269,396	-	-	-	269,396
Transfers in	-	-	-	137,507	137,507
Transfers out	(137,507)	-	-	-	(137,507)
Total other financing sources (uses)	131,889	-	-	137,507	269,396
Net change in fund balance	(1,320,563)	(25,344)	(1,527,867)	190,025	(2,683,749)
Fund balances (deficits) at beginning of year	(1,514,970)	1,785,277	3,642,099	629,672	4,542,078
Fund balances (deficits) at end of year	\$ (2,835,533)	\$ 1,759,933	\$ 2,114,232	\$ 819,697	\$ 1,858,329

See accompanying notes to the basic financial statements.

Barberton City School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004

Net change in fund balances - total governmental funds	\$	(2,683,749)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital asset additions	\$	2,623,929
Depreciation expense		<u>(2,025,915)</u>
Excess of capital outlay over depreciation expense		598,014
The disposal of capital assets results in the removal of capital assets at cost and the difference in their carrying value to cost, if immaterial, is charged to the program as an expense in the statement of activities.		
		(13,529)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:		
Property taxes	\$	670,735
Intergovernmental		(388,781)
Accounts		<u>10,585</u>
Net change in deferred revenues during the year		292,539
Proceeds of loan provide current financial resources and are reported as revenue in the governmental funds but are not reported as revenue in the statement of activities.		
		(269,396)
Repayment of bond, notes and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,995,000
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in compensated absences	\$	98,244
Decrease in pension obligation		52,191
Decrease in accrued interest		<u>9,888</u>
Total additional expenditures		160,323
The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds are not reported in the statement of activities. The net revenue of the internal service fund is reported within the governmental entity wide statements.		
		<u>(205,275)</u>
Change in net assets of governmental activities	<u>\$</u>	<u>(126,073)</u>

See accompanying notes to the basic financial statements.

Barberton City School District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Taxes	\$ 11,671,490	\$ 11,671,490	\$ 10,972,062	\$ (699,428)
Intergovernmental	18,643,222	20,060,411	18,876,605	(1,183,806)
Interest	50,000	50,000	45,921	(4,079)
Tuition and fees	132,300	134,281	112,410	(21,871)
Rent	19,000	19,000	24,236	5,236
Extracurricular activities	2,000	2,000	1,858	(142)
Gifts and donations	1,000	1,000	6	(994)
Customer services	-	-	133	133
Miscellaneous	193,100	193,450	196,143	2,693
Total revenues	<u>30,712,112</u>	<u>32,131,632</u>	<u>30,229,374</u>	<u>(1,902,258)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	12,755,820	12,595,256	12,742,841	(147,585)
Special	2,906,794	2,802,226	2,836,976	(34,750)
Vocational	1,314,567	1,215,073	1,194,097	20,976
Other	1,598,216	1,480,232	1,441,843	38,389
Support services:				
Pupils	2,073,044	1,995,563	1,907,600	87,963
Instructional staff	1,589,464	1,570,425	1,545,141	25,284
Board of education	21,454	26,811	25,798	1,013
Administration	2,588,477	2,553,906	2,531,477	22,429
Fiscal	597,764	597,999	567,630	30,369
Business	433,437	449,051	434,370	14,681
Operation and maintenance of plant	3,973,418	4,057,757	4,157,113	(99,356)
Pupil transportation	761,060	681,351	625,811	55,540
Central	33,538	3,014	1,383	1,631
Extracurricular activities	968,304	984,781	957,549	27,232
Capital outlay	29,414	235,337	235,338	(1)
Debt service:				
Principal retirement	-	50,000	65,000	(15,000)
Total expenditures	<u>31,644,771</u>	<u>31,298,782</u>	<u>31,269,967</u>	<u>28,815</u>
Excess of revenues over (under) expenditures	<u>(932,659)</u>	<u>832,850</u>	<u>(1,040,593)</u>	<u>(1,873,443)</u>
<u>Other financing sources (uses):</u>				
Proceeds of loan	180,000	260,463	260,463	-
Refund of prior year expenditures	42,660	42,660	109,835	67,175
Advances in	56,750	56,750	56,750	-
Advances out	-	(7,750)	(37,750)	(30,000)
Transfers out	-	-	(137,507)	(137,507)
Total other financing sources (uses)	<u>279,410</u>	<u>352,123</u>	<u>251,791</u>	<u>(100,332)</u>
Net change in fund balance	(653,249)	1,184,973	(788,802)	(1,973,775)
Fund balances at beginning of year	466,065	466,065	466,065	-
Prior year encumbrances appropriated	352,037	352,037	352,037	-
Fund balances at end of year	<u>\$ 164,853</u>	<u>\$ 2,003,075</u>	<u>\$ 29,300</u>	<u>\$ (1,973,775)</u>

See accompanying notes to the basic financial statements.

Barberton City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2004

	<u>Self Insurance</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 826,387
Receivables:	
Accounts	1,500
Total assets	<u>\$ 827,887</u>
<u>Liabilities:</u>	
Claims payable	\$ 805,121
<u>Net assets:</u>	
Unrestricted	22,766
Total liabilities and net assets	<u>\$ 827,887</u>

See accompanying notes to the basic financial statements.

Barberton City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	Self Insurance
<u>Operating revenues:</u>	
Charges for services	\$ 4,664,093
<u>Operating expenses:</u>	
Purchased services	693,608
Claims	4,175,760
Total operating expenses	4,869,368
Operating loss	(205,275)
Net assets beginning of year	228,041
Net assets end of year	\$ 22,766

See accompanying notes to the basic financial statements.

Barberton City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	<u>Self Insurance</u>
<u>Cash flows from operating activities:</u>	
Cash received from quasi-external transactions with other funds	\$ 4,662,593
Cash payments to suppliers for goods and services	(723,872)
Cash payments for claims	<u>(3,670,543)</u>
Net cash provided by operating activities	<u>268,178</u>
Net increase in cash and cash equivalents	268,178
Cash and cash equivalents at beginning of year	<u>558,209</u>
Cash and cash equivalents at end of year	<u>\$ 826,387</u>
<u>Reconciliation of operating loss to net cash provided by operating activities:</u>	
Operating loss	<u>\$ (205,275)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(1,500)
Increase (decrease) in liabilities:	
Accounts payable	(30,264)
Claims payable	<u>505,217</u>
Total adjustments	<u>473,453</u>
Net cash provided by operating activities	<u>\$ 268,178</u>

See accompanying notes to the basic financial statements.

Barberton City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 111,863	\$ 57,147
<u>Liabilities:</u>		
Accounts payable	\$ 2,222	\$ 3,640
Due to students	-	53,507
Total liabilities	2,222	\$ 57,147
<u>Net assets:</u>		
Held in trust for scholarships	\$ 109,641	

See accompanying notes to the basic financial statements.

Barberton City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2004

	Private Purpose Trust
	Scholarships
<u>Additions:</u>	
Interest	\$ 706
Gift and donations	47,546
Miscellaneous	2,535
Total additions	<u>50,787</u>
<u>Deductions:</u>	
Payments in accordance with trust agreements	<u>25,733</u>
Change in net assets	25,054
Net assets beginning of year	<u>84,587</u>
Net assets end of year	<u><u>\$ 109,641</u></u>

See accompanying notes to the basic financial statements.

Barberton City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Barberton City School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's eleven instructional/support facilities staffed by 213 non-certificated employees and 435 certificated full time teaching personnel which includes thirty-eight administrators, who provide services to 4,348 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The School District's significant accounting policies are described below.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Barberton City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

Within the boundaries of the Barberton City School District, Saint Augustine School is operated as a private school. State legislation provides funding to this private school. The School District receives the money and then disburses the money as directed by the private school. The accounting for the monies is reflected in a special revenue fund of the School District. The School District does not have any component units.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

The School District is associated with the Northeast Ohio Network for Educational Technology and the Four Cities Vocational Compact, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 14.

Within the boundaries of the School District is the Barberton Public Library. The library is defined as a related organization as described in Note 15.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at a more detailed level. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain on its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

Barberton City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2004

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District has three major governmental funds:

General Fund – The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Permanent Improvement Capital Projects Fund – The permanent improvement capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary fund).

Proprietary Fund Type:

Proprietary fund reporting focuses on the determination of operating income, change in net assets, financial position and cash flows. Proprietary funds are classified enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for medical, surgical, prescription drug, and dental and vision claims of the School District's employees.

Fiduciary Fund Types:

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four categories: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund, which accounts for several scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District reports two agency funds with one used to account for student activities managed by the student body and the other for monies held in a fiscal agency capacity for another entity's Head Start program.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Like the government-wide statements, the internal service fund and the private purpose trust fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The internal service fund, private purpose trust fund and the agency fund also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Barberton City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2004

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Accounting

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for rate determination.

Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budget revenue in the budgetary statements reflect the

Barberton City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2004

amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal year.

Appropriations

Upon receipt from the County Fiscal Officer of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditure, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted.

The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The final budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions. Under Ohio law advances are not required to be budgeted.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Barberton City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2004

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in several bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented on the statement of net assets in the account, "Equity in pooled cash and cash equivalents". During the current fiscal year investments were limited to certificates of deposit and overnight repurchase agreements. All investments of the School District had a maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market price.

Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 4.

For purposes of the statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. Prepaid items were not significant at June 30, 2004 and therefore are not reported.

H. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories of the general fund are stated at cost while inventories of the food service special revenue fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the general fund consist of expendable supplies held for consumption. Inventories of the food service fund consist of donated food, purchased food, and supplies held for resale. Inventories reported on the fund financial statements are expensed when used.

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund include the amount required by State statute to be set aside to create a reserve for the purchase of textbook

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

and instructional materials and buses. Restricted assets may also be set-aside as a reserve for budget stabilization, which is now optional as determined by the School District. See Note 17 for additional information regarding statutory reserves.

J. Capital Assets and Depreciation

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. It is the policy of the School District to not capitalize interest costs incurred as part of construction.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
<i>Buildings</i>	<i>30 - 50 years</i>
<i>Furniture and equipment</i>	<i>5 - 20 years</i>
<i>Vehicles</i>	<i>10 - 15 years</i>
<i>Land improvements</i>	<i>5 - 20 years</i>

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of the fund balance that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, textbook/instructional material purchases, and bus purchases.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Q. Interfund Transactions

Interfund transfers are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statements of net assets.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

R. Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the major general fund.

<i>Net Change in Fund Balance</i>	
	<i>General</i>
<i>GAAP basis</i>	\$ (1,320,563)
<i>Revenue accruals</i>	(25,855)
<i>Expenditure accruals</i>	889,715
<i>Encumbrances (Budget Basis) outstanding at year end</i>	<u>(332,099)</u>
<i>Budget basis</i>	<u>\$ (788,802)</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts. Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligation or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase,

Barberton City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2004

unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits

At fiscal year end, the carrying amount of the School District's deposits, was \$3,595,147 and the bank balance was \$3,756,695. Of the bank balance, \$300,000 was covered by federal depository insurance and \$3,456,695 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

Investments

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of risk. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in repurchase agreements, which are Category 3 investments, had a carrying amount of \$3,165,000 and a fair value of \$3,165,000 at June 30, 2004

Interest is legally required to be placed in the general fund; the food service, public school support, Decker Center, district managed student activities and auxiliary special revenue funds; the bond retirement debt service fund; the permanent improvement capital projects fund; the scholarships private purpose trust fund; the self insurance internal service fund; the student activities and district agency funds. Interest revenue credited to the general fund amounted to \$45,921, which includes \$31,924 assigned from other School District funds.

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Public utility real property is assessed by State law at 35% of true value; tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property is currently assessed at 25% of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30 are available to finance current year operations. The School District, by resolution, authorizes the Treasurer to request advances from the County Fiscal Officer during the year and to make these funds available for appropriation.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2004 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$601,316 in the general fund, \$80,589 in the permanent improvement capital projects fund, and \$5,814 in the bond retirement debt service fund and is recognized as revenue.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

<i>Property Category</i>	<i>2003 Assessed Value</i>	<i>2002 Assessed Value</i>
<i>Real Property</i>		
<i>Residential and agricultural</i>	\$ 274,082,340	\$ 270,031,500
<i>Commercial and industrial</i>	76,140,790	77,070,860
<i>Public utilities</i>	13,469,020	13,690,500
<i>Tangible Personal Property</i>		
<i>General</i>	<u>58,777,845</u>	<u>65,201,931</u>
<i>Total</i>	<u>\$ 422,469,995</u>	<u>\$ 425,994,791</u>

NOTE 6 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts (tuition and excess costs), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The intergovernmental receivable at June 30, consisted of:

<i>Governmental activities</i>	<i>Amount</i>
<i>General fund</i>	\$ 128,713
<i>Special revenue funds:</i>	
<i>Food service</i>	113,472
<i>Decker center</i>	28,487
<i>Vocational education</i>	2,943
<i>Adult basic education</i>	23,189
<i>Title VI-B</i>	62,792
<i>Title I</i>	75,031
<i>EHA Preschool</i>	4,100
<i>Improving teacher quality</i>	<u>25,974</u>
	<u>\$ 464,701</u>

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004 was as follows:

<i>Governmental activities</i>	<i>Balance June 30, 2003</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance June 30, 2004</i>
<i>Capital assets, not being depreciated:</i>				
<i>Land and improvements</i>	\$ 3,739,550	\$ -	\$ -	\$ 3,739,550
<i>Construction in progress</i>	<u>146,900</u>	<u>2,200,904</u>	<u>-</u>	<u>2,347,804</u>
<i>Total capital assets, not being depreciated</i>	<u>3,886,450</u>	<u>2,200,904</u>	<u>-</u>	<u>6,087,354</u>
<i>Capital assets, being depreciated:</i>				
<i>Land improvements</i>	7,416,311	-	-	7,416,311
<i>Buildings</i>	46,373,927	417,535	-	46,791,462
<i>Furniture and equipment</i>	1,602,883	5,490	(14,495)	1,593,878
<i>Vehicles</i>	<u>1,600,415</u>	<u>-</u>	<u>-</u>	<u>1,600,415</u>
<i>Total capital assets, being depreciated</i>	<u>56,993,536</u>	<u>423,025</u>	<u>(14,495)</u>	<u>57,402,066</u>
<i>Less: Accumulated depreciation</i>				
<i>Land improvements</i>	(1,197,594)	(367,518)	-	(1,565,112)
<i>Buildings</i>	(9,177,442)	(1,463,886)	-	(10,641,328)
<i>Furniture and equipment</i>	(1,113,836)	(145,440)	966	(1,258,310)
<i>Vehicles</i>	<u>(1,357,591)</u>	<u>(49,071)</u>	<u>-</u>	<u>(1,406,662)</u>
<i>Total accumulated depreciation</i>	<u>(12,846,463)</u>	<u>(2,025,915)</u>	<u>966</u>	<u>(14,871,412)</u>
<i>Total capital assets being depreciated, net</i>	<u>44,147,073</u>	<u>(1,602,890)</u>	<u>(13,529)</u>	<u>42,530,654</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 48,033,523</u>	<u>\$ 598,014</u>	<u>\$ (13,529)</u>	<u>\$ 48,618,008</u>

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

Depreciation expense charged to governmental functions for the year ending June 30, 2004 is as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 1,552,755
<i>Vocational</i>	1,886
<i>Support services:</i>	
<i>Pupils</i>	5,310
<i>Instructional staff</i>	29,018
<i>Administration</i>	14,087
<i>Business</i>	3,530
<i>Operation and maintenance of plant</i>	39,914
<i>Pupil transportation</i>	76,724
<i>Operation of non-instructional services</i>	18,468
<i>Extracurricular activities</i>	<u>284,223</u>
	<u>\$ 2,025,915</u>

NOTE 8 - INTERFUND TRANSACTIONS

Interfund balances at fiscal year end consist of the following individual fund receivables and payables and are represented as “Interfund receivable/payable” on the balance sheet:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
<i>General fund</i>	\$ 30,000	\$ -
<i>Permanent Improvement fund</i>	125,000	-
<i>Nonmajor governmental funds</i>	<u>31,000</u>	<u>186,000</u>
	<u>\$ 186,000</u>	<u>\$ 186,000</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2004, all interfund loans outstanding are anticipated to be repaid in fiscal year 2005.

Due from/to other funds consisted of the following at June 30, 2004:

	<i>Receivable</i>	<i>Payable</i>
<i>Nonmajor governmental funds</i>	<u>\$ 6,393</u>	<u>\$ 6,393</u>
	<u>\$ 6,393</u>	<u>\$ 6,393</u>

These due from/to transfers took place due to overdrafts of the internal investment pool and have been reported as fund liabilities of the respective funds.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2004, consisted of the following:

	<i>Transfers From</i>
	<i>General</i>
<i>Transfers To</i>	<i>Fund</i>
<i>Nonmajor Funds</i>	<i>137,507</i>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in any of the past three years.

The School District uses an internal service fund to record and report its self funded health care insurance program. The claims liability of \$805,121 reported in the fund at year end was estimated by third party administrators and is based on the requirements of GASB Statement No.10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

The School District purchases stop-loss coverage of \$100,000 per employee. Changes in the fund's claims liability during the current and prior fiscal years were:

	<i>Balance at</i>		<i>Current</i>		<i>Balance at</i>
	<i>Beginning</i>		<i>year claims</i>	<i>Claim payments</i>	<i>end of year</i>
	<i>of year</i>				
2003	\$ 381,293		3,217,675	3,299,064	\$ 299,904
2004	\$ 299,904		4,175,760	3,670,543	\$ 805,121

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2003, 8.17% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$470,774, \$501,657, and \$305,924, respectively; 39% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$256,698, representing the unpaid contribution for fiscal year 2004, is recorded as an intergovernmental payable.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, disability, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3746.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who became disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$2,642,692, \$2,486,380, and \$1,762,065, respectively; 83% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$452,463, representing the unpaid contribution for fiscal year 2004, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2004 were \$3,052 made by the School District and \$29,550 made by the plan members.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the School District this amount equaled \$203,284 during the 2004 fiscal year. The balance in the Health Care Stabilization Fund for the STRS was \$3.1 billion at June 30, 2004. For the year ended June 30, 2004, the net health care costs paid by the STRS were \$268,739,000 and eligible benefit recipients totaled 111,853.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll.

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$379,280, which includes a surcharge of \$77,343 during the 2004 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the SERS's net assets available for payment of health care benefits was \$300.8 million, at cost. The number of participants receiving health care benefits was approximately 62,000.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service. Administrator employees earn twenty vacation days per year and teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifty days for certified employees, two hundred thirty days for year round classified employees and two hundred fifteen days for nine month classified employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum established by negotiated agreements.

B. Health Care Benefits

The School District provides medical, dental, vision and life insurance benefits to most employees. The premium and coverage varies with employee depending on the terms of the union contract.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

NOTE 13 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2004 were as follows:

<u>Governmental activities</u>	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30</u>	<u>Due in</u> <u>one year</u>
<u>Bonds</u>					
<u>School Improvement Bonds,</u>					
3.65-5.00%, maturing on					
November 1, 2022	\$ 27,719,962	\$ -	\$ (980,000)	\$ 26,739,962	\$ 1,020,000
<u>Library Improvement Bonds, 9.00%</u>					
maturing on December 1, 2005	<u>330,000</u>	<u>-</u>	<u>(110,000)</u>	<u>220,000</u>	<u>110,000</u>
<u>Total Bonds</u>	<u>28,049,962</u>	<u>-</u>	<u>(1,090,000)</u>	<u>26,959,962</u>	<u>1,130,000</u>
<u>Notes</u>					
Permanent Improvement TAN, 3.80%					
maturing on December 1, 2006	<u>2,850,000</u>	<u>-</u>	<u>(670,000)</u>	<u>2,180,000</u>	<u>700,000</u>
<u>Loans</u>					
<u>Vocational School Equipment Loan,</u>					
0.00%, maturing on					
7/30/2008	20,000	-	(20,000)	-	-
<u>Vocational School Equipment Loan,</u>					
0.00%, maturing on					
12/31/2005	90,000	-	(45,000)	45,000	30,000
<u>Improvement and Building Loan</u>					
maturing on June 26, 2007	<u>622,604</u>	<u>269,396</u>	<u>(170,000)</u>	<u>722,000</u>	<u>173,000</u>
<u>Total Loans</u>	<u>732,604</u>	<u>269,396</u>	<u>(235,000)</u>	<u>767,000</u>	<u>203,000</u>
<u>Other Obligations</u>					
Long-term compensated absences	<u>1,852,378</u>	<u>188,559</u>	<u>(286,803)</u>	<u>1,754,134</u>	<u>362,938</u>
Governmental activities long-term liabilities	<u>\$ 33,484,944</u>	<u>\$ 457,955</u>	<u>\$ (2,281,803)</u>	<u>\$ 31,661,096</u>	<u>\$ 2,395,938</u>

In fiscal year 1988 the School District issued School Improvement Bonds for \$31,999,962, which are to be paid from money received from the Barberton Community Foundation. The School District receives in November of each year the amount necessary to make debt service payments for the following calendar year. Interest earned on these monies will be used for the repayment of the bonds. The requests from the Foundation will be for the required payments reduced by the amount of interest earned. The bonds were issued to cover costs of the new high school. The Barberton Community Foundation was established to improve the lives of the citizens of Barberton by offering scholarships to Barberton High School graduates and by awarding grants to not-for-profit organizations to serve the citizens of Barberton.

In fiscal year 2002 the School District issued \$3,450,000 in tax anticipation notes at an interest rate of 3.80% to pay the costs of remodeling various School District buildings. The note is to be repaid by the Permanent Improvement Levy passed in May of 2001 and will be repaid from the Bond Retirement debt service fund.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

In fiscal year 1986 the School District issued \$2,200,000 in Library Improvement Bonds. These bonds will be paid from the bond retirement debt service fund.

Compensated absences will be paid from the fund from which the person is paid.

The Vocational School Equipment Loan, maturing in 2005, is a five-year no interest loan from the Ohio Department of Education (ODOE). Payments for the loan will be paid from the general fund.

On December 26, 2002 the School District entered into a loan agreement for various improvements and acquisitions through an asset pool program. As of June 30, 2004, the School District has received \$892,000 in proceeds. Payments for this loan will be paid out of the general fund.

The annual requirements to amortize all bonds, notes and loans outstanding as of year-end are as follows:

<i>Fiscal Year</i>	<i>Vocational Equipment and Asset Pool Loans</i>		<i>Permanent Improvement Notes</i>		<i>Library Improvement Bonds</i>		<i>School Improvement Bonds</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2005	\$ 203,000	\$ 19,547	\$ 700,000	\$ 69,540	\$ 110,000	\$ 14,850	\$ 1,020,000	\$ 1,291,848
2006	192,000	15,132	725,000	42,655	110,000	4,950	1,065,000	1,243,037
2007	183,000	9,780	755,000	14,345	-	-	1,115,000	1,188,537
2008	189,000	3,440	-	-	-	-	349,586	1,986,077
2009	-	-	-	-	-	-	310,376	2,025,286
2010-2014	-	-	-	-	-	-	6,485,000	5,024,187
2015-2019	-	-	-	-	-	-	8,275,000	3,179,388
2020-2023	-	-	-	-	-	-	8,120,000	846,906
<i>Total</i>	<u>\$ 767,000</u>	<u>\$ 47,899</u>	<u>\$ 2,180,000</u>	<u>\$ 126,540</u>	<u>\$ 220,000</u>	<u>\$ 19,800</u>	<u>\$ 26,739,962</u>	<u>\$ 16,785,266</u>

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

The Northeast Ohio Network for Educational Technology (NEOnet) is the computer service Organization or Data Acquisition Site (DAS) used by the School District. NEOnet is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All Districts in the consortium are required to pay fees, charges and assessments as charged. NEOnet is governed by a board made up of superintendents (or designee) from all of the participating districts. An elected Executive Board consisting of nine members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from the general fund. During fiscal year 2004, the School District contributed \$27,741 to NEOnet. Financial information can be obtained by contacting the fiscal agent at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

The Four Cities Vocational Compact (Compact) is a jointly governed organization to provide for the vocational and special education needs of the students of four participating school districts. The four-member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the four districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class. Wadsworth City School District serves as the fiscal agent for this Compact, collecting and distributing payments. The committee exercises total control over the operation of the compact, including budgeting, appropriating, contracting and designating management. All revenues are generated from charges for services.

NOTE 15 - RELATED ORGANIZATIONS

The Barberton Public Library is a distinct subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The School District is not involved in the budgeting process or operational management of the Library, nor does it subsidize or finance its operations. The selection of directors and approval of the annual budget by the School District is conducted only to comply with statutory requirements.

NOTE 16 - CONTINGENCIES

A. Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year end.

B. Litigation:

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

C. School Funding:

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

NOTE 17 - FUND DEFICITS

As of June 30, 2004, several funds had deficit fund balances/retained earnings. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficits at year end:

<u>Fund</u>	<u>Deficit</u>
<i>General</i>	\$ 2,835,533
<i>Special Revenue:</i>	
<i>Adult education</i>	1,322
<i>Disadvantaged pupil impact aid</i>	257,977
<i>Project head start</i>	131,240

The School District is in the process of reviewing expenditures in an effort to bring them in line with revenues. In addition to this, the School District anticipates passing an operating levy in the near future.

NOTE 18 - STATUTORY RESERVES

The School District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials and for capital improvements purchases. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. The School District was required to set aside additional monies for textbooks and other instructional materials and some capital maintenance reserves. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years. Although no longer required by state statute, a budget stabilization reserve may still be set-aside at the discretion of the School District.

Effective April 10, 2001, Senate Bill 345 amended Ohio Revised Code 5705.29 effectively eliminating the requirement for the School District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. During the fiscal year, the Board acted on the Senate Bill and passed a resolution to eliminate the reserve balance.

During the fiscal year ended June 30, 2004, the reserve activity was as follows:

Barberton City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>	<i>Budget Stabilization Reserve</i>	<i>Total</i>
<i>Set-aside cash balance as of June 30, 2003</i>	\$ 9,948	\$ -	\$ 163,714	\$ 173,662
<i>Current year set-aside requirement</i>	626,080	626,080	-	1,252,160
<i>Eliminated by Board action</i>	-	-	(163,714)	(163,714)
<i>Qualifying disbursements</i>	<u>(360,047)</u>	<u>(2,274,115)</u>	<u>-</u>	<u>(2,634,162)</u>
<i>Total</i>	<u>\$ 275,981</u>	<u>\$ (1,648,035)</u>	<u>\$ -</u>	<u>\$ (1,372,054)</u>
<i>Cash balance carried forward to future years</i>	<u>\$ 275,981</u>			<u>\$ 275,981</u>

The School District also had unspent monies set-aside for the purchase of school buses in the amount of \$73,748.

NOTE 19 - CONSTRUCTION COMMITMENTS

The School District has construction project that is a commitment of the permanent improvement capital projects fund. The project involves the construction and improvements to various School District buildings and is being funded by the Permanent Improvement Levy passed in May 2001. To date the School District has spent \$1,292,358 on this project with a remaining commitment of \$1,313,163.

NOTE 20 - SUBSEQUENT EVENT

On December 27, 2004, the School District was notified that their bond rating was changed from A3 to Baa2.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Donation	N/A	10.550		\$88,271		\$88,271
School Breakfast Program	043539-05PU-03	10.553	\$47,437		\$47,437	
School Breakfast Program	043539-05PU-04		124,801		124,801	
National School Lunch Program	043539-LLP4-03	10.555	213,630		213,630	
National School Lunch Program	043539-LLP4-04		533,700		533,700	
Total Child Nutrition Cluster			919,568	88,271	919,568	88,271
Child and Adult Care Food Program	04539-CCMO-03	10.558	5,481		5,481	
	04539-CCMO-04		12,709		12,709	
Total Child and Adult Care Food Program			18,190		18,190	
Total U.S. Department of Agriculture			937,758	88,271	937,758	88,271
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster						
Special Education - Grants to States	043539-6BSF-03P	84.027	126,338		124,697	
	043539-6BSF-04P		629,226		461,365	
Total Special Education -Grants to States			755,564		586,062	
Special Education - Preschool Grants	043539-PGS1-03P	84.173	(1,064)		9,435	
	043539-PGS1-04		52,526		47,755	
Total Special Education - Preschool Grants			51,462		57,190	
Total Special Education Cluster			807,026		643,252	
Title I Grants to Local Educational Agencies	043539-C1S1-03	84.010	112,905		146,903	
	043539-C1S1-04		1,224,352		1,121,428	
Total Title I Grants to Local Educational Agencies			1,337,257		1,268,331	
Innovative Education Program Strategies	043539-C2S1-03	84.298	1,815		4,592	
	043539-C2S1-04		30,499		24,576	
Total Innovative Education Program Strategies			32,314		29,168	
Safe and Drug-Free Schools and Communities-State Grants	043539-DRS1-03	84.186	5,028		7,009	
	043539-DRS1-04		33,644		30,299	
Total Safe and Drug-Free Schools and Communities-State Grants			38,672		37,308	
Education Technology State Grants	043539-TJS1-03	84.318	(1,832)		17,853	
	043539-TJS1-04		33,618		12,071	
Total Education Technology State Grants			31,786		29,924	
Adult Education-State Grant Program	045359-ABS1-02C	84.002	24			
	043539-ABS1-03		(6,886)		(3,739)	
	043539-ABS1-03C		15,845		15,845	
	043539-ABS1-04		67,655		134,908	
Total Adult Education-State Grant Program			76,638		147,014	
Improving Teacher Quality State Grants	043539-TRS1-03	84.367	(2,480)		42,249	
	043539-TRS1-04		342,203		305,694	
Total Improving Teacher Quality State Grants			339,723		347,943	
Impact Aid	N/A	84.041	36,150		36,150	
English Language Acquisition Grants	043539-T3S1-03	84.365	(3,085)			
	043539-T3S1-04		19,795		10,964	
Total English Language Acquisition Grants			16,710		10,964	
Total U.S. Department of Education			2,716,276		2,550,054	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through the Akron Summit County Action Agency:</i>						
Head Start	N/A	93.600	1,912,775		1,545,872	
<i>Passed Through the Summit County Department of Job & Family Services</i>						
Temporary Assistance for Needy Families	N/A	93.558	1,467,886		1,467,886	
Temporary Assistance for Needy Families - Wrap Around Child Care	N/A		37,252		37,252	
Total Temporary Assistance for Needy Families			1,505,138		1,505,138	
<i>Passed Through the Ohio Department of Education</i>						
Refugee and Entrant Assistance-Discretionary Grants	043539-RIS1-03	93.576			4,567	
	043539-RIS1-04		5,000		4,445	
Total Refugee and Entrant Assistance-Discretionary Grants			5,000		9,012	
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	N/A	93.778	631,364		631,364	
Total U.S. Department of Health and Human Services			4,054,277		3,691,386	
Totals			\$7,708,311	\$88,271	\$7,179,198	\$88,271

The accompanying notes to this schedule are an integral part of this schedule.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - MEDICAL ASSISTANCE AND TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Cash receipts from the U.S. Department of Health and Human Services are commingled with local funds for the Medical Assistance and Temporary Assistance for Needy Families Programs. It is assumed federal monies are expended first.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Barberton City School District
Summit County
479 Norton Avenue
Barberton, Ohio 44203

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Barberton City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated December 23, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the District's management in a separate letter dated December 23, 2004.

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This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 23, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Barberton City School District
Summit County
479 Norton Avenue
Barberton, Ohio 44203

To the Board of Education:

Compliance

We have audited the compliance of the Barberton City School District, Summit County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 23, 2004.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 23, 2004

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Adult Education – State Grant Program, CFDA 84.002; Improving Teacher Quality State Grants, CFDA 84.367; and Temporary Assistance for Needy Families, CFDA 93.558
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2005**